2010

ANALYSIS OF MORTGAGE SERVICING PERFORMANCE

DATA REPORT NO. 4
JANUARY 2010

STATE FORECLOSURE PREVENTION WORKING GROUP

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Executive Summary

As this report goes to publication, one in seven borrowers is behind on their mortgage.[1] One in four homeowners with a mortgage owes more than their home is worth.[2] The unemployment rate is 10% nationally, with millions of additional Americans either out of the workforce or underemployed. Hundreds of thousands of homeowners have "pay option" ARM mortgages that are ticking time bombs for payment shock, when these loans reset to much higher payments. Despite efforts of servicers, homeowners, and the government, the foreclosure crisis continues to worsen. These signs point to more foreclosures in 2010 than in 2009.

While not every foreclosure is avoidable, too many homeowners experience foreclosure when finding an alternative solution would be in the interest of both the homeowner and the mortgage holder. Preventing these unnecessary foreclosures would help not only the struggling homeowners and mortgage investors, but also the neighborhoods and local governments that bear the indirect costs of foreclosures.

The federal Home Affordable Modification Program (HAMP) has led to offers of loan modification assistance to over 1.1 million homeowners;[3] however, early indications are that servicers have been unable to implement the program effectively and many homeowners with trial modifications are not yet qualified to transition to a permanent loan modification.

Over two years ago, the State Foreclosure Prevention Working Group ("State Working Group")[4] met with the twenty largest servicers of subprime mortgages to encourage the development of more robust programs to prevent unnecessary foreclosures. In order to measure servicer efforts, the State Working Group has collected data from 13 servicers for over two years. This is the fourth public report, and the first in over a year.

When the State Working Group issued its first report, there was very little or no public information available on foreclosure prevention efforts by servicers; however, in the last year in particular, reporting of servicing data has become routine, more precise, and has covered a greater portion of the mortgage marketplace than the servicers reporting to the State Working Group. However, despite improvements in data collection, coverage and publication, these other reports fail to discuss aspects of foreclosure prevention

[1] National Delinquency Survey, Mortgage Bankers Association (3rd Quarter 2009). The delinquency and foreclosure rate (14.41% non-seasonally adjusted) is the highest ever reported in the MBA survey.
[2] Negative Equity Report, First American Core Logic (3rd Quarter 2009).
[3] Making Home Affordable Program Servicer Performance Report Through December 2009, U.S. Dept. of Treasury (Jan. 15, 2010), *available at*: http://financialstability.gov/docs/report.pdf.
[4] The State Working Group is more fully described in our first report from February 2008, *available at:* http://www.csbs.org/Content/NavigationMenu/Home/StateForeclosurePreventionWorkGroupDataReport.pdf. The State Working Group currently consists of representatives of the Attorneys General of 12 states (Arizona, California, Colorado, Florida, Illinois, Iowa, Massachusetts, Nevada, North Carolina, Ohio, Texas, and Washington), three state bank regulators (Maryland, New York and North Carolina), and the Conference of State Bank Supervisors.

performance critical to addressing the persistent and deep foreclosure crisis facing the nation. We hope this report fills part of this gap.

Findings from State Working Group Data

- **The total number of struggling homeowners not on track for any foreclosure prevention assistance continues to grow. Only four out of ten seriously delinquent borrowers are involved in loss mitigation efforts.** While the HAMP program has increased the percentage of borrowers in the process of getting a loan work-out, the rising tide of delinquent loans has outpaced servicer outreach efforts. HAMP has helped to slow down the foreclosure crisis, but current efforts have been insufficient to get ahead of the foreclosure problem.

- **Both loss mitigation and foreclosure efforts appear backlogged.** While the number of homeowners in the work-out process is at an all time high, the number of loans resolved has dipped since the implementation of HAMP. The ratio of loans "in process" of loss mitigation to loans with loss mitigation resolutions has ballooned from nearly three-to-one in October 2008 to seven-to-one in October 2009. The average time to complete a loan modification for some servicers is over six months. Similarly, the number of loans in the foreclosure process dwarfs the number of foreclosures completed.

- **Most modifications result in payment reductions but principal reductions remain rare.** Despite the growing number of loans that are "underwater" (where the homeowner owes more than the property is worth), only 9 percent of loan modifications in October 2009 involved reducing the unpaid balance by more than 10 percent. More troubling, more than 70 percent of modifications result in an <u>increase</u> in the principal amount owed. Given the correlation between negative equity and likelihood of default, the failure to write down principal in connection with loan modifications is a glaring flaw in current efforts.

- **Prime loans are increasingly driving the rising delinquency rates.** While the State Working Group reporting has focused on subprime and Alt-A performance, we note the rate of seriously delinquent prime loans in our data is rising significantly. The foreclosure problem is broad-based and not isolated to poorly-underwritten or exotic loan products.

Recommendations to Prevent Unnecessary Foreclosures

The State Working Group believes we are at risk of a devastating acceleration of foreclosures unless improvements are made in foreclosure prevention efforts. To combat this next wave of foreclosures, the State Working Group suggests:

- **Servicers should suspend foreclosure proceedings on any loan currently involved in the loss mitigation process**. The current work-out process runs on a parallel track to the foreclosure process. In a normal market, this might create strong incentives for a quick and meaningful work-out process, however, with the numbers of loans clogging both areas, the potential for miscommunication is significant. In some cases, homeowners have lost their homes while being told they are being considered for a loan modification. This is unacceptable. We recommend the Treasury Department amend HAMP to ensure that the foreclosure process (not just the final sale) stops for any loan eligible for consideration. This is especially critical in States with non-judicial foreclosure processes that often move very quickly. Some States are attempting to implement rules or laws to address this issue.

- **Loss mitigation programs must be improved to prioritize principal reduction in areas of significant home price declines**. In some states, most notably California and Florida, a large percentage of mortgage loans are significantly underwater (e.g. loan balance is 150% of the home's current market value). Loan modification programs that rely on monthly payment reductions alone will have limited success in creating sustainable homeownership in these states.

- **Servicers need to pay particular attention to reforming payment-option ARM loans.** Over 40% of current payment-option adjustable rate mortgages are seriously delinquent,[5] despite the fact that this product was given to prime borrowers. Over the next two years, two-thirds of the $200 billion worth of payment option ARM mortgages will face payment shock,[6] as the loans automatically transition from allowing an artificially low minimum payment (like the minimum monthly payment on a credit card) to requiring a fully-amortizing payment. Furthermore, many of these homeowners are likely to owe significantly more than their home is worth, as these products were structured to allow an increase in the amount owed on the mortgage and home prices have fallen the greatest in the areas where these products were originated. If unaddressed, the payment shock on these loans coupled with the proportion significantly underwater will push a significant portion of these loans into foreclosure.

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[5] Moody's ResiLandscape, Option ARM Loans: Performance Comparable to Subprime; Modification Options Limited, Dec. 3, 2009 (41% of option ARM borrowers are 60 or more days delinquent).
[6] Fitch Ratings, September 8, 2009 ($134 Billion of $189 Billion of payment option ARMs to recast by 2011).

- **The HAMP program must increase transparency and reduce paperwork in order to reach its potential**. Servicers struggled to manage paperwork prior to the implementation of HAMP, and HAMP added significant new requirements and processes to an already overloaded system. For instance, the Treasury program requires servicers to handle each loan modification twice, once for a trial modification and again three months later to transition to a permanent modification. While the Treasury Department has made positive steps in reducing paperwork burdens, we believe more streamlining is necessary to reduce burdens on both servicers and homeowners. In addition, Treasury should have a public "NPV" model to enable counselors, homeowners, and States to quickly assess the likelihood of eligibility for the HAMP program. Servicers still operate with a black box that makes monitoring implementation difficult. Finally, Treasury needs to invest significant resources in creating a real-time escalation and appeals process for homeowners who believe they were denied from HAMP unfairly or otherwise experienced a problem with their servicer.

- **States should consider expanding counseling programs or implementing temporary foreclosure mediation or other such measures**. Given the numbers of homeowners facing foreclosure or likely to face foreclosure in the next 12-24 months, it is likely that many will fall through the cracks of even the best implemented system for working out mortgage loans. Counseling programs have played and continue to play a key role in providing assistance at the state and local level. Expanding, or at least sustaining, these programs is essential to meet the growing challenge. In addition, a number of states and local governments have developed innovative mediation or other requirements for servicers and homeowners to meet prior to the completion of a foreclosure. Continuing to develop creative and efficient processes to support the use of foreclosure alternatives is critical, particularly as servicer performance, market conditions, and foreclosure prevention programs are evolving constantly.

- **Both servicers and Treasury should provide better options to keep unemployed homeowners in their homes.** Unemployment and loss of income are key catalysts to a mortgage default. While unemployment insurance partially fills a short-term gap in income from job loss, unemployed homeowners currently face significant hurdles in keeping their homes. HAMP requires unemployed homeowners to document that they are entitled to at least nine months of unemployment insurance to qualify for a HAMP modification. Unemployed homeowners who don't qualify for HAMP have to contact their mortgage company to secure a temporary forbearance or repayment plan while they look for alternative employment. With the high level of unemployment, these temporary agreements only add to the number of homeowners clogging the loss mitigation systems of mortgage servicers. Both Treasury and the servicers should consider opportunities to develop new programs to dampen the impact of unemployment on foreclosure rates.

In the past year, the federal government has significantly expanded its efforts to reduce foreclosures, supplementing the diverse programs of state and local governments. The State Working Group applauds and supports these significant federal efforts, and we believe these efforts have helped slow the tide of unnecessary foreclosures. To be sure, we would be in a much worse place without these efforts.

However, it is clear that these efforts must be improved and servicers have not succeeded in “turning the corner” to reduce the high levels of foreclosures. The State Working Group is concerned that if homeowners fall out of the HAMP program in large numbers, the numbers of foreclosures closed will jump significantly. As we begin the New Year, we must continue to expand existing programs to not only help struggling homeowners, but to stabilize neighborhoods and housing markets across the country.

Updates and Trends

Our first report provided detailed discussion of the purposes and formation of the State Foreclosure Prevention Working Group ("State Working Group") and a discussion of the data collected in October 2007, the first month of data collection from 13 of the 20 largest subprime mortgage servicers. Subsequent reports have provided analysis and commentary on visible trends in the data, with the last released report including updates through May 2008.[7]

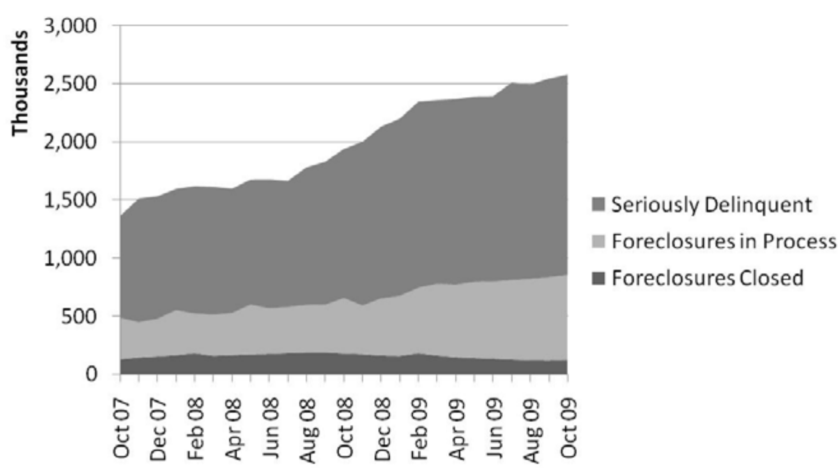
This fourth report follows the trends of these servicers through October 2009.[8] Additional data points collected since February 2009 have also allowed for a more detailed analysis of loan modifications and the performance of modified loans.

A. Summary of Servicing Activity

The data in this State Working Group report comes from the same 13 servicers used in the first three reports. The data encompasses approximately 10.2 million prime loans and 3.8 million subprime loans as of October 2009.

Since October 2008, the number of "distressed" loans, loans that are seriously delinquent (60+ days late) or in foreclosure (in process or completed), continues to rise. The total number of distressed loans increased 33% in the last year.

Figure 1: Distressed Loans (Number)



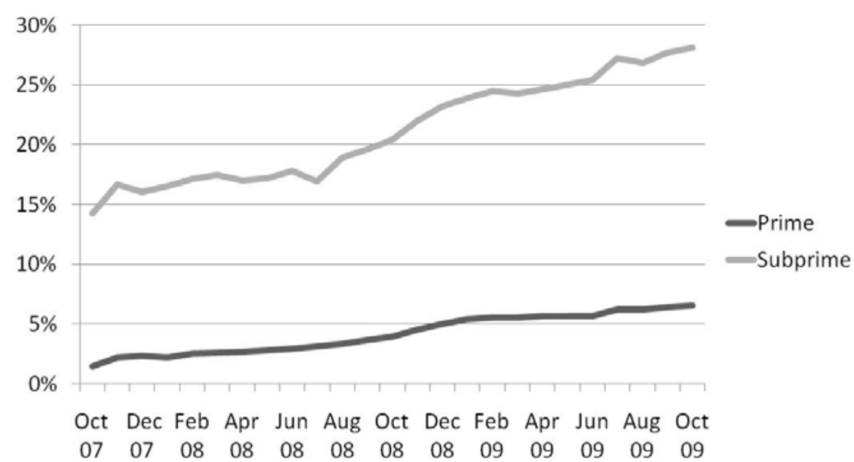
[7] All reports are available at the website of the Conference of State Bank Supervisors: http://www.csbs.org/Content/NavigationMenu/Home/StForeclosureMain.htm.

[8] Given the increasing challenge of managing and processing data files on a monthly basis, the State Working Group has partnered with the Center for Community Capital at the University of North Carolina to manage and analyze data collected from reporting servicers. The State Working Group appreciates the Center for Community Capital (in particular Andy Smith and Kevin Park) for its assistance in preparing charts and analysis. More information on the Center for Community Capital is available at: www.ccc.unc.edu.

Delinquency and Default

By the end of October 2009, the **share of loans seriously delinquent** was over 12% of all loans, up from 9% in October 2008 and 6% in October 2007. The delinquency rate (60+ days late) in October 2009 was over 28% for subprime and Alt-A loans, compared to only 6.5% of prime loans[9]. One year ago, the respective delinquency rates were 20% and 4%.

Figure 2: 60+ Day Delinquent Loans (Rate)

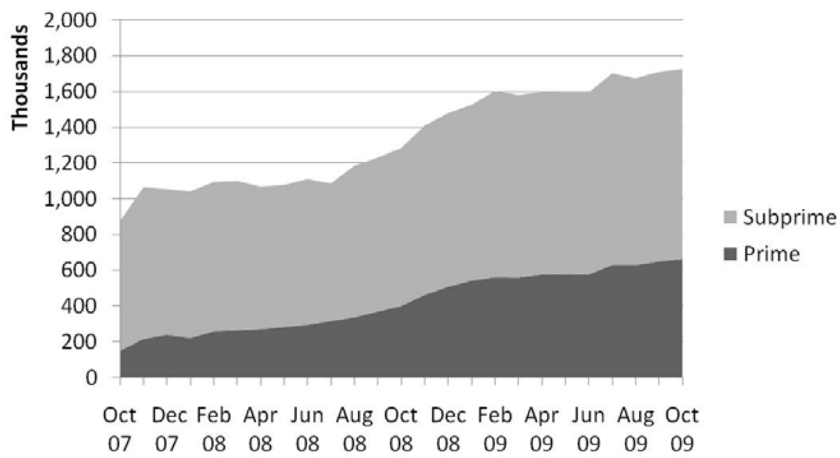


In addition, the **number of seriously delinquent loans** continues to increase. In the last year, the total number increased by 34% (i.e., 442,000 new loans became seriously delinquent over the last year). By October 2009, over 1.7 million loans in total were seriously delinquent.

The number of seriously delinquent prime loans has grown much faster than the growth in seriously delinquent subprime loans. In the past year, the number of seriously delinquent prime loans increased by 66% (263,000 loans), while, the number of seriously delinquent subprime loans increased by 20 % (179,000 loans) . Thus, prime loans accounted for 59% (263,000 out of 442,000) of the increase in all delinquent loans since October 2008. Consequently, the prime loan share of all seriously delinquent loans increased from 17% in October 2007, to 38% in October 2009.

[9] The original selection of servicers for data collection was focused on subprime loans; consequently, statistics concerning prime loans may not be as representative of the entire market. Nevertheless, the comparison is useful for understanding overall trends.

Figure 3: 60+ Day Delinquent Loans (Number)



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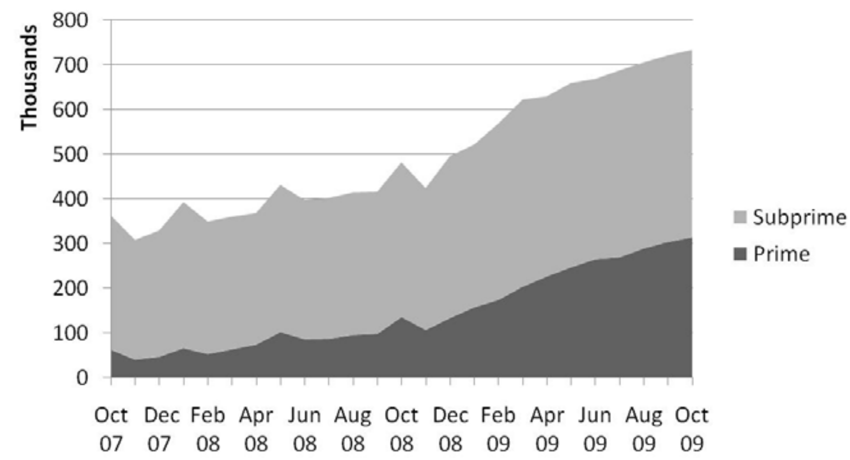
Foreclosure Activity

The **number of loans in the process of foreclosure** has increased substantially over the past year. The total number of loans in the process of foreclosure increased by 52% (252,000 loans) between October 2008 and October 2009.

This increase appears to be driven by prime loans. The number of prime loans in foreclosure has more than doubled each of the past two years (116% between 2007 and 2008, and 131% in the past year). In comparison, the number of subprime loans in the process of foreclosure increased only 21% in the past year and 15% the year before. Prime loans accounted for 71% percent of the increase in the total number of loans in the process of foreclosure. Consequently, prime loans now account for 43% of all loans in foreclosure for these servicers.[10]

[10] This figure is likely well-below the overall market shift in foreclosures from subprime to prime loans, as our Reporting Servicers were selected based on their significant subprime servicing portfolios. In fact, according to the latest MBA National Delinquency Survey, 68% of foreclosures started in the third quarter of 2009 were on prime loans.

Figure 4: Loan in Foreclosure (Number)



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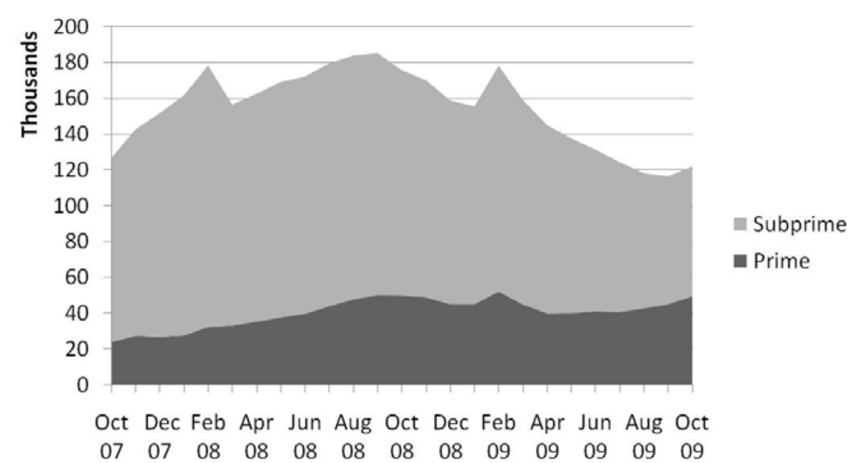
While the number of loans in the process of foreclosure has increased, the **number of foreclosures completed** has fallen 31% in the past year. We believe this phenomenon is due to a combination of backlogs in the foreclosure process itself, a desire by servicers and investors to avoid accumulating even more REO property, and temporary stays of foreclosure sales due to related loss mitigation activity.

After peaking in September 2008, the number of foreclosures completed on prime loans remained basically flat (down 400 loans) and the number of completed subprime foreclosures fell 42% (53,000 loans). Prime loans account for 40% of foreclosures completed in October 2009, up from 28% in October 2008.

Figure 5: Foreclosures Completed (Number)



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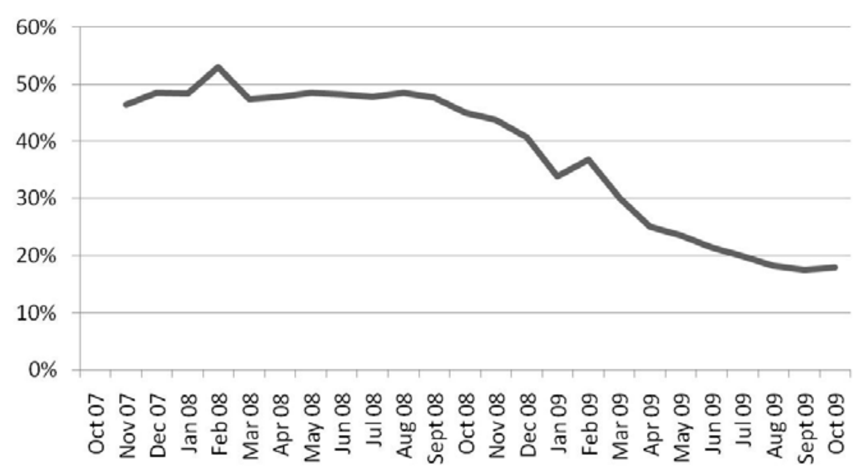
Looking at the **ratio of foreclosures-completed to loans-in-the-process-of-foreclosure in the previous month** clearly shows the widening gap in the foreclosure completion rate. When we originally started collecting data, the number of foreclosures completed was roughly half of the previous month's number of loans in process of foreclosure.[11] That ratio has fallen to 18%. If this decline were the result of effective loss mitigation efforts, such as loan modifications, it could be interpreted as a positive sign; however, the following sections cast doubt on that possibility.

Figure 6: Ratio of Foreclosures Completed to Foreclosures in Process in the Previous Month



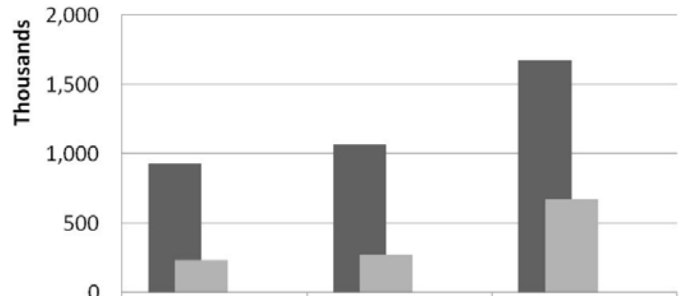
B. Loss Mitigation

The past year has seen a meaningful improvement in the **share of delinquent borrowers involved in loss mitigation efforts**. In October 2008, only 27% of delinquent borrowers were receiving assistance through the loss mitigation process.[12] In October 2009, 45% of delinquent borrowers were engaged in the loss mitigation process. Despite this improvement, this increase in outreach success has not met pace with the increase in the number of delinquent borrowers – the total number of delinquent borrowers overall not receiving any assistance has increased by 7% percent in the past year.

[11] From November 2007 to February 2008, 12 of 13 servicers reported information on foreclosures in process and completed. From March 2008 to January 2009, 11 servicers reported this information, and since February 2009 12 servicers have reported. The ratio is adjusted to reflect only servicers reporting both foreclosures in process and foreclosures completed.

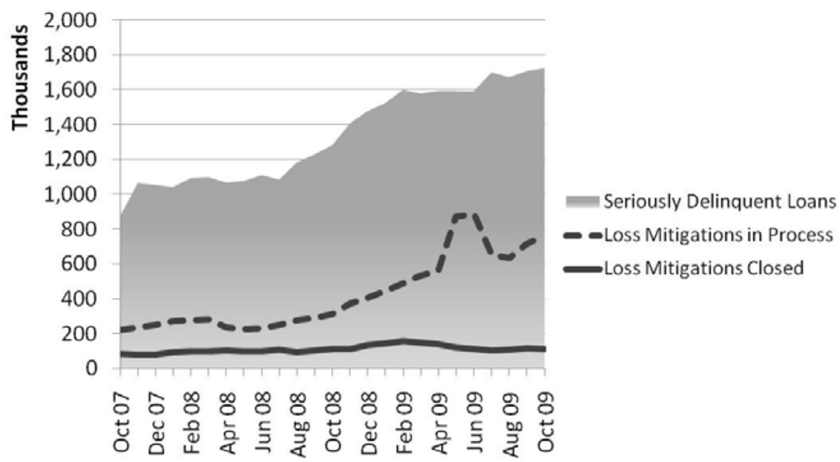
[12] From October 2007 to February 2009, 11 of the 13 servicers reported information on loss mitigation efforts. Since March 2009, 12 of the 13 have reported on loss mitigations. The number of seriously delinquent borrowers has been adjusted to reflect only those servicers reporting loss mitigation efforts in that month.

Figure 7: Delinquent Loans and Loss Mitigations in Process



	2007Q4	2008Q3	2009Q3
Seriously Delinquent Loans*	931,298	1,065,009	1,671,207
Loss Mitigations in Process	235,691	271,352	668,048
Difference (#)	695,607	793,657	1,003,159
Difference (%)	74.7%	74.5%	60.0%

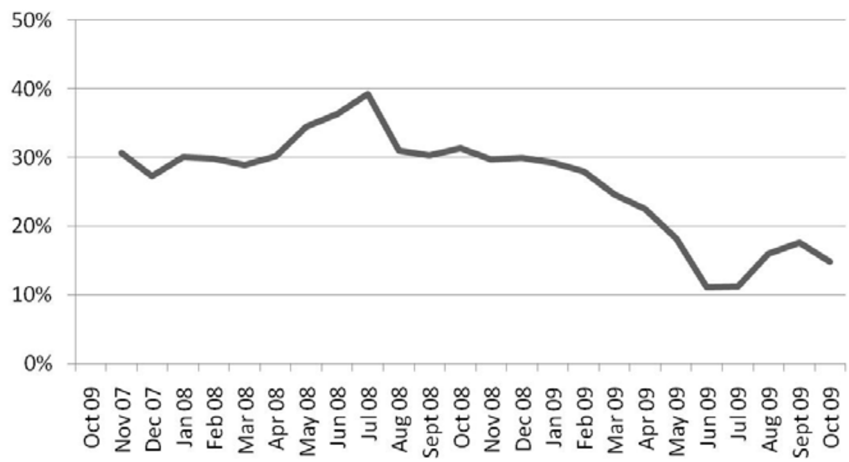
Figure 8: Delinquent Loans and Loss Mitigations



Loss mitigation efforts in progress do not necessarily result in loss mitigations completed. While loss mitigation efforts in process are increasing, the total number of loss mitigation efforts closed has actually fallen since February by roughly 40,000 loans per month. Similar to the backlog in foreclosures, the **ratio of loss-mitigations-closed to loss-mitigations-in-process in the previous month** peaked in July 2008 at 39% before falling to a low of 11% in July 2009. In October 2009, the figure was 15%.

We note that this gap could be due to the increasing use of HAMP trial modifications relative to other loss mitigation tools, which servicers may not report as closed until they become permanent. While the decline in closed loss mitigation is a serious concern, it is somewhat mitigated if the borrowers "in process" are receiving significantly reduced payments as part of a HAMP trial modification. The State Working Group intends to explore this issue further with reporting servicers to better understand how HAMP trial modifications are impacting the loss mitigation pipeline.

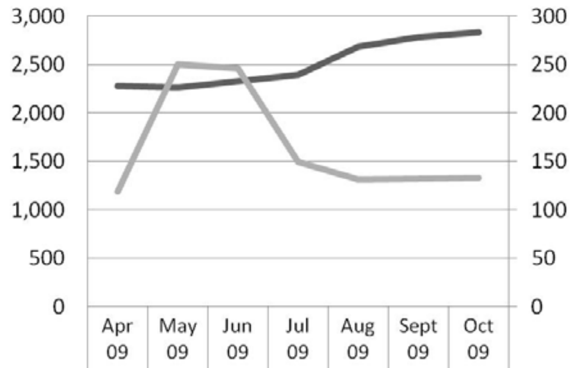
Figure 9: Ratio of Loss Mitigations Completed to Loss Mitigations in Process in the Previous Month



Staff Devoted to Loss Mitigation

The State Working Group has begun to collect data on the number of employees of Reporting Servicers engaged in loss mitigation. While not comprehensive, the new data shows a steady increase in the **number of employees dedicated to loss mitigation** efforts. These hiring efforts have brought case loads per employee back down to less than 150 cases per full time employee, where they were in February 2009. However, the increase in loss mitigation staff has not prevented an increase in the backlog of loss mitigation resolutions.

Figure 10: Full-Time Equivalents (FTEs) Assigned to Loss Mitigation



	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sept 09	Oct 09
Number of FTEs	2,281	2,262	2,332	2,393	2,686	2,783	2,835
Loss Mitigations* in Process per FTE	118	250	246	149	131	132	133

Loss Mitigation by Type

We have divided loss mitigation activities into three broad categories: 1) mitigations where the borrower loses the home ("home-loss mitigations"), including short sale and deed-in-lieu; 2) mitigations where the borrower retains possession of the home ("home-retention mitigations"), including forbearance, repayment plan, and modification; and 3) mitigations where the borrower's effort leads to resolving delinquency ("borrower mitigations"), including refinance and reinstatement. Home-retention mitigations make up the majority and an increasing share of loss mitigation efforts in process, tracking with overall foreclosures in process.[13] More specifically, loan modifications accounted for 59% of loss mitigation efforts in process as of the third quarter of 2009.

[13] Note that foreclosures in process and loss mitigation efforts in process may not be mutually exclusive.

Figure 11: Loss Mitigations in Process, by Type

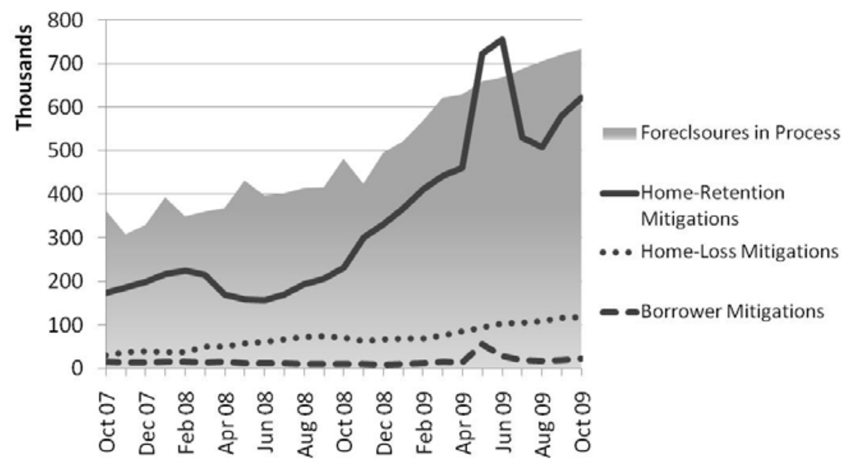
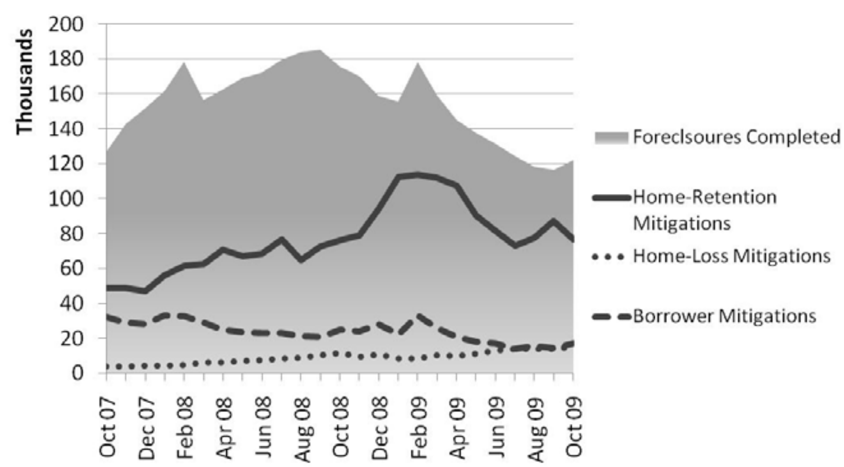


Figure 12: Loss Mitigations Closed, by Type



As in prior reports, borrower resolutions of their delinquency (reinstatement and refinance/paid in full) composes a higher proportion of total closed loss mitigation than loss mitigation in process, reflecting that some borrowers identify resources to catch up on or pay off their loan and that some loan work-outs fall through. The State Working Group focuses on the change in the proportion of loss mitigations over time to identify trends in the options for homeowners to avoid foreclosure. While still a small percentage of overall loss mitigations, we note the large increase in short sales' share of closed loss mitigation efforts, tripling from 4.4% in the fourth quarter of 2007 to 12.5% in the third quarter of 2009. With changes in the HAMP program regarding short sale incentives and in the absence of alternative programs for principal reduction, this trend is likely to continue.

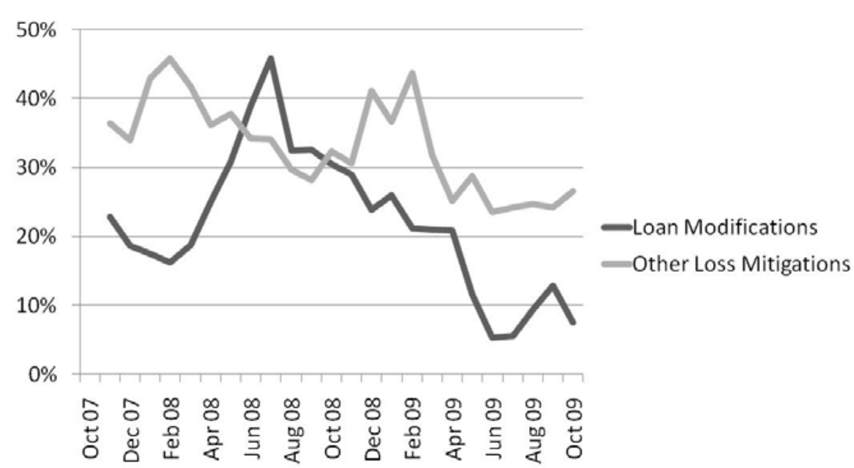
Figure 13: Loss Mitigations, by Type (Detailed)

		Quarter 4 2007		Quarter 3 2008		Quarter 3 2009	
Type	Loss Mitigation Efforts	In Process	Closed	In Process	Closed	In Process	Closed
Home-Loss	Deed in lieu	1.8%	0.4%	2.4%	0.3%	0.5%	0.4%
	Short sale	13.0%	4.4%	23.7%	8.7%	16.0%	12.5%
Home-Retention	Forbearance	8.6%	4.2%	7.8%	3.5%	4.9%	12.2%
	Repayment plan	24.6%	29.6%	13.8%	21.0%	16.7%	24.3%
	Modification	45.7%	25.0%	48.3%	45.4%	59.2%	36.9%
Borrower	Refinance or paid in full	1.6%	13.6%	1.0%	5.1%	0.3%	3.6%
	Reinstatement	4.6%	22.8%	2.8%	16.0%	2.5%	10.0%
Total Loss Mitigation Efforts		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

C. Loan Modification

The **ratio of loan-modifications-completed to loan-modifications-in-process in the previous month** peaked at 46% in July of 2008 but fell to less than 6% one year later. In October 2009, the figure stood at almost 8%. In comparison, the ratio for all other loss mitigation efforts was 27% in October 2009, also down from a peak of 44% in February 2009, but substantially greater than the ratio for loan modification.

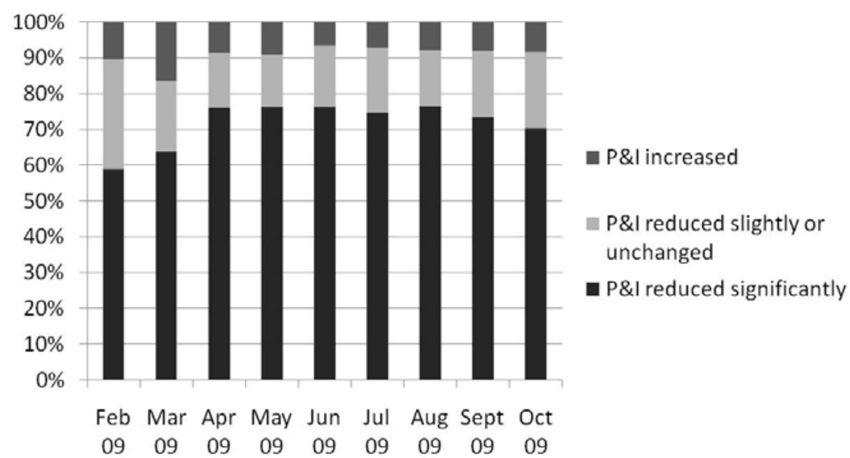
Figure 14: Ratio of Loan Modifications Completed to Loan Modifications in Process in the Previous Month



Loan Modifications by Type

Looking at the details of loan modifications, the vast majority involve reducing monthly loan payments. In fact, generally over 70% of **modifications involve reducing monthly payments by more than 10 percent**, while less than 10% involve increasing payments.[14] This is an improvement over the previous year, where only 57% of loan modifications included significant payment relief for struggling homeowners.

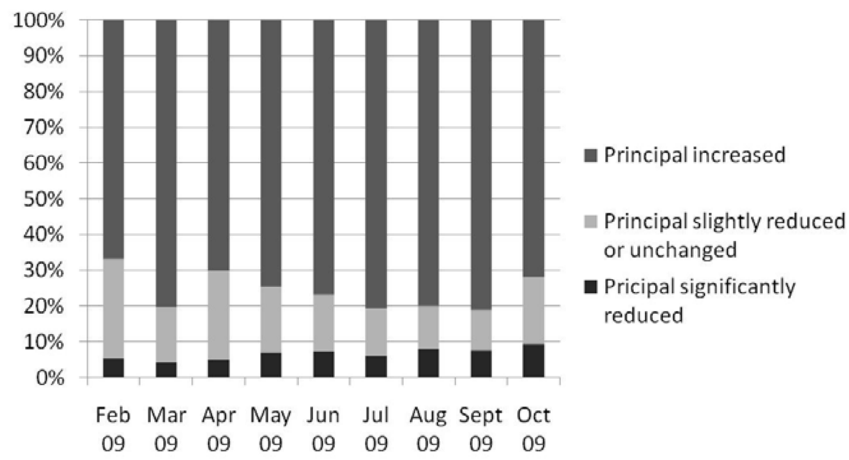
Figure 15: Loan Modifications with Significant Payment Reduction



On the other hand, nearly 72% of **modifications increase the unpaid balance of the loan**, increasing the likelihood that the borrower will be "underwater," or owe more than the property is worth. Servicers routinely capitalize delinquent interest, corporate advances, escrow advances and attorney fees and other foreclosure-related fees and expenses into the loan balance when completing a loan modification. In normal times, capitalizing missed payments and servicer fees is a mechanism to reset the clock with a minimal impact on the monthly payment; however, in this environment with a significant proportion of loans underwater, doing "business as usual" only adds to the likelihood of ultimate default. In October 2009, in only 9% of loan modifications was the principal balance reduced by more than 10 percent, although that number was up from 4% in March 2009. While this is slowly moving in the right direction, the State Working Group would like to see a more robust effort to address the foreclosure risk of underwater loans.

[14] In February 2009, 6 of 13 servicers reported loan modifications by type. In March, 8 servicers reported. In April, 9 servicers reported. In May and June, 10 servicers reported. Since July, 11 of the 13 have reported.

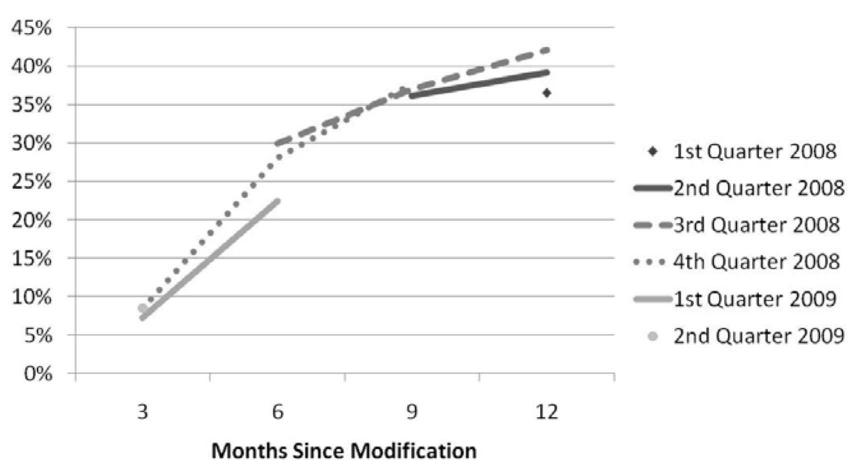
Figure 16: Loan Modifications by Principal Reduction



Redefault Rate for Loan Modifications

Once a loan is modified, there is still the risk of re-default. The **percent of modified loans which become 60 or more days delinquent by cohort and months since modification** is shown in figure 17.[15] We see that for all modification cohorts reported by our servicers, 7% to 9% reach 60-day delinquency within just the first three months after modification. After a full year, roughly 35% to 45% of modified loans are re-defaulting. Although our analysis is limited in the number of cohorts and timeframe, there does not yet appear to be any substantial trends, positive or negative, in the overall success of more recent modifications compared to older ones.

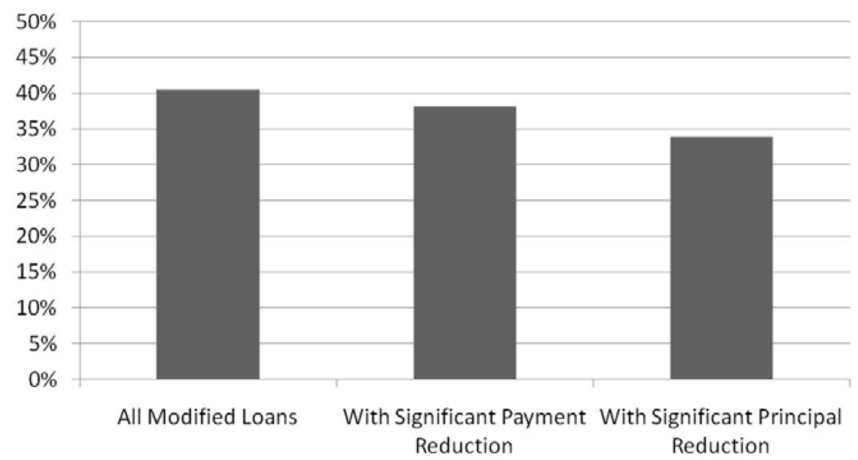
Figure 17: Redefault Rate for Modified Loans



[15] In October 2009, 11 of the 13 servicers provided data on loans modified at least as far back as July 2008.

However, the **redefault rates by method of loan modification** does appear meaningful, although not as much as the State Working Group expected. From February to October of 2009, 40% percent of all loans modified in the prior 12-months were at least 60 days late. For modifications involving a reduction in monthly payment by over 10 percent, the re-default rate was 38% percent. And for modifications involving a reduction in unpaid principal balance by over 10 percent, the re-default rate was 34%.[16]

Figure 18: 12-Month Redefault Rate by Modification Type*



[16] In October 2009, 10 of the 13 servicers provided information on loan modifications with significant payment reductions and 7 of the 13 provided information on loan modifications with significant principal reduction.

Conclusion

It appears the very high level of foreclosure will get worse before it gets better. Even though investors continue to suffer very large losses and would benefit from more aggressive loss mitigation measures, current foreclosure prevention efforts have failed to develop efficient and sustainable work-outs for homeowners. The recent HAMP program has slowed the tide of foreclosures, but as of now, this program has been unable to get ahead of the increasing number of new delinquent loans. Furthermore, implementation failures have hindered the program's ability to reach its full potential.

The State Working Group believes it is critical for servicers and government officials to explore new programs and processes to attack the tide of foreclosures, which is increasingly affected by home price declines and persistent high unemployment levels. Recent efforts have improved opportunities for close to a million homeowners, yet we are still losing ground. In addition, even the homeowners receiving temporary assistance are at risk of falling through the cracks and sliding to foreclosure.

Going forward, the State Working Group believes in some areas of the country principal write downs can be a critical component of successful loan modification programs, especially for homeowners in mortgage products like payment option ARMs that were structurally unsustainable absent continued home price appreciation. In addition, servicers must stop the race between foreclosure and loss mitigation efforts to ensure that preventable foreclosures do not occur simply as a result of miscommunication or overwhelmed systems.

Appendix A

CONSOLIDATED STATE REPORT FOR MORTGAGE SERVICERS
DATA AS OF OCTOBER 31, 2009

Trend Data from Consolidated State Report for Mortgage Servicers

All numbers of loans are the actual number.
Quarterly values represent the average monthly value for all months of available data in that quarter except for data identified as the sum of foreclosures or modifications completed.
*** Indicates an incalculable value due to a divide-by-zero error.*

	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Number of Servicers Reporting	13	13	13	13	13	13	13	13	13	13
Reporting in New Format	11	11	10	10	0		0	0	0	0
Reporting in Old Format	2	2	3	3	13	13	13	13	13	13
* Servicers were asked to start using new format in Q1 2009										

Percentage Change

PROFILE OF LOANS SERVICED- NUMBER OF LOANS	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans Serviced	14,493,239	14,531,637	14,602,295	14,740,206	14,730,359	14,735,385	14,884,874	15,072,965	15,383,160	15,531,964	-0.26%	-0.48%	-2.37%
Serviced loans secured by owner-occupied residence	12,534,712	12,491,046	12,411,779	12,415,843	12,392,807	12,483,895	12,612,282	12,777,040	12,976,720	13,164,401	0.21%	0.64%	-0.96%
Serviced loans for investment or second residence property	1,952,052	2,033,868	2,184,062	2,312,092	2,315,076	2,231,044	2,254,585	2,280,210	2,395,038	2,353,094	-3.19%	-6.88%	-9.79%
Number of Prime loans	10,176,250	10,148,375	10,141,187	10,148,986	10,150,434	10,177,329	10,184,116	10,209,640	10,269,120	10,193,750	0.20%	0.07%	-0.35%
Fixed rate, fully amortizing	7,892,154	7,799,560	7,685,428	7,605,911	7,548,771	7,537,697	7,484,753	7,406,871	7,320,220	7,625,953	0.73%	1.49%	4.21%
Hybrid ARMs (2/28, 3/27, or similar)	972,982	1,008,069	1,053,144	1,097,002	1,122,207	1,148,639	1,172,490	1,205,569	1,239,150	1,203,387	-2.90%	-4.28%	-14.02%
Adjustable rate, fully amortizing	676,384	699,667	737,694	770,795	789,586	796,369	818,426	860,259	905,233	636,176	-1.30%	-5.15%	-14.51%
Loans with interest only feature	382,951	382,294	392,547	401,757	407,989	409,641	413,323	420,413	424,759	331,981	1.17%	-2.61%	-7.51%
Payment Option ARMs and loans with negative amortization feature	247,781	254,782	266,686	268,734	281,099	284,787	294,996	316,064	378,486	395,365	-1.42%	-4.46%	-13.63%
Number of Subprime & Alt-A loans	3,778,441	3,885,515	4,070,165	4,189,526	4,273,064	4,329,247	4,470,133	4,625,505	4,870,792	5,081,890	-1.23%	-4.54%	-13.08%
Fixed rate, fully amortizing	2,056,204	2,091,044	2,170,765	2,227,595	2,286,013	2,305,495	2,347,993	2,405,133	2,500,898	2,596,224	-0.55%	-3.67%	-10.94%
Hybrid ARMs (2/28, 3/27s, or similar)	923,916	964,878	1,044,183	1,094,827	1,118,525	1,142,893	1,212,099	1,334,576	1,492,409	1,568,799	-2.20%	-7.59%	-20.40%
Adjustable rate, fully amortizing	120,760	121,560	109,600	124,613	98,330	98,054	91,688	85,370	77,337	76,177	-0.55%	10.91%	32.58%
Loans with interest only feature	311,827	324,764	335,486	359,872	385,013	394,260	424,517	396,498	342,065	397,644	-2.11%	-3.20%	-23.50%
Payment Option ARMs and loans with negative amortization feature	121,100	125,692	132,800	97,866	101,746	104,027	109,241	116,857	126,558	120,953	-1.95%	-5.35%	15.06%

DELINQUENCY, DEFAULT & FORECLOSURE- TOTAL	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans													
30 to 59 days	573,549	594,738	592,766	612,190	677,557	640,355	629,323	577,462	578,879	621,608	-4.09%	0.33%	-5.50%
60 to 89 days	312,413	317,852	308,438	330,290	348,131	323,528	305,497	273,595	273,700	283,911	-2.84%	3.05%	4.04%
90 days or over	1,412,580	1,376,554	1,286,120	1,238,424	1,041,863	959,307	860,491	810,670	803,643	713,394	1.79%	7.03%	59.97%
Total past due	2,298,542	2,289,145	2,187,324	2,180,904	2,067,551	1,923,190	1,795,311	1,661,727	1,656,223	1,618,913	-0.38%	4.66%	27.51%
Percentage of total loans serviced	15.86%	15.75%	14.98%	14.80%	14.04%	13.05%	12.06%	11.03%	10.77%	10.42%			
Loans from above which were modified in the last 12 months.	210,499	215,317	214,686	188,374	149,371	127,865	85,884	64,528	49,969	34,033	-2.92%	0.29%	150.71%
Percentage of total past due	9.16%	9.41%	9.81%	8.65%	7.20%	6.65%	4.76%	3.88%	3.01%	2.09%			
Loans which entered delinquency within 3 payments of initial rate reset	92,758	93,992	42,955	56,192	52,774	50,022	54,112	47,561	38,519	33,152	-0.53%	118.82%	73.70%
Percentage of total past due	4.04%	4.11%	1.96%	2.58%	2.55%	2.60%	3.01%	2.86%	2.33%	2.05%			
Total Loans in Process of Foreclosure	733,455	704,608	652,445	570,592	466,883	481,535	410,697	399,004	367,434	333,380	1.70%	8.00%	71.56%
Percentage of total past due	31.91%	30.78%	29.83%	26.18%	22.66%	25.04%	22.91%	24.02%	22.19%	20.77%			
Loans where notice of default sent	285,691	280,378	278,484	250,882	196,425	228,991	159,842	160,598	165,747	159,800	-1.89%	0.68%	75.41%
Loans where formal foreclosure procedings started	469,979	447,678	378,601	313,423	263,768	262,781	260,815	243,650	203,637	183,870	2.10%	18.25%	71.65%
Loans where foreclosure proceding completed (ORE)	121,892	119,497	137,890	164,139	168,045	175,465	182,668	167,828	495,994	140,182	4.79%	-13.34%	-34.58%
Sum of foreclosures completed (ORE) during quarter		*358,492*	*446,562*	*501,565*	*528,191*		*530,827*	*827,421*	*479,848*	*269,006*			

Trend Data from Consolidated State Report for Mortgage Servicers

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*** Indicates an incalculable value due to a divide-by-zero error.*

DELINQUENCY, DEFAULT & FORECLOSURE- PRIME	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Prime Loans													
30 to 59 days	313,036	315,874	304,931	306,226	327,766	301,824	284,217	252,886	243,169	251,390	-3.04%	3.59%	11.14%
60 to 89 days	155,482	155,823	145,561	150,131	150,243	135,163	120,975	101,204	94,308	91,258	-2.20%	7.05%	28.81%
90 days or over	507,981	479,516	430,777	403,961	306,656	265,448	220,452	182,427	154,897	111,311	3.72%	11.31%	117.52%
Total Prime past due	976,499	951,213	881,269	860,317	784,665	702,435	625,644	536,516	492,374	453,959	0.50%	7.94%	52.04%
Percentage of Prime Loans Serviced	9.60%	9.37%	8.69%	8.48%	7.73%	6.90%	6.14%	5.26%	4.79%	4.46%			
Loans from above which were modified in the last 12 months.	43,026	39,927	46,967	35,704	26,719	22,390	13,873	7,926	7,608	5,952	0.00%	-14.99%	187.80%
Percentage of Prime past due	4.41%	4.19%	5.33%	4.16%	3.39%	3.19%	2.18%	1.48%	1.54%	1.31%			
Loans which entered delinquency within 3 payments of initial rate reset	11,589	11,378	318	335	81	62	92	127	369	331	0.90%	3474.35%	12223.10%
Percentage of Prime past due	1.19%	1.20%	0.04%	0.04%	0.01%	0.01%	0.01%	0.02%	0.08%	0.07%			
Prime Loans in Process of Foreclosure	313,778	287,101	246,068	178,205	125,409	135,771	93,518	87,454	60,832	50,048	3.47%	16.68%	207.00%
Percentage of Prime past due	32.13%	30.17%	27.91%	20.75%	16.14%	19.33%	14.96%	16.31%	12.40%	11.36%			
Loans where notice of default sent	114,953	107,526	88,698	65,913	37,063	58,040	27,146	32,486	21,750	18,240	-0.52%	21.23%	296.10%
Loans where formal foreclosure procedings started	212,185	193,366	154,354	109,292	81,004	77,762	66,402	55,004	39,095	31,807	3.27%	25.27%	191.20%
Loans where foreclosure proceding completed (ORE)	49,285	42,697	40,270	47,180	47,765	49,702	47,088	37,470	30,945	25,981	9.84%	6.03%	-9.33%
Sum of foreclosures completed (ORE) during quarter		*128,091*	*127,052*	*144,569*	*145,490*	*141,265*	*128,813*	*103,723*	*85,756*	*51,237*			

DELINQUENCY, DEFAULT & FORECLOSURE- SUBPRIME & ALT-A	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Sub-Prime & Alt-A Loans													
30 to 59 days	260,513	278,865	287,835	305,965	349,791	338,531	345,106	324,576	335,711	370,218	-5.32%	-3.12%	-19.19%
60 to 89 days	156,931	162,029	162,877	180,159	197,887	188,365	184,521	172,391	179,392	192,654	-3.45%	-0.52%	-12.19%
90 days or over	904,599	897,038	855,343	834,464	735,208	693,859	640,039	628,243	648,746	602,082	0.74%	4.87%	40.15%
Total Subprime & Alt-A past due	1,322,043	1,337,932	1,306,055	1,320,587	1,282,886	1,220,755	1,169,666	1,125,211	1,163,849	1,164,954	-1.02%	2.44%	14.39%
Percentage of Sub-Prime & Alt-A Loans Serviced	32.14%	32.52%	31.75%	32.10%	30.04%	28.20%	26.19%	24.33%	23.90%	22.92%			
Loans from above which were modified in the last 12 months.	167,473	175,390	167,719	152,670	122,652	105,475	72,011	56,602	42,361	28,081	-3.65%	4.57%	143.56%
Percentage of Subprime & Alt-A past	12.67%	13.11%	12.84%	11.57%	9.54%	8.64%	6.14%	5.03%	3.65%	2.40%			
Loans which entered delinquency within 3 payments of initial rate reset	81,169	82,613	42,636	55,857	52,694	49,960	54,019	47,434	38,149	32,822	-0.73%	93.76%	52.93%
Percentage of Subprime & Alt-A past	6.14%	6.18%	3.26%	4.23%	4.11%	4.09%	4.61%	4.21%	3.28%	2.82%			
Subprime & Alt-A Loans in Process of Foreclosure	419,677	417,507	406,377	392,387	341,475	345,764	317,179	311,551	306,602	283,332	0.42%	2.74%	31.63%
Percentage of Subprime & Alt-A past due	31.74%	31.21%	31.11%	29.72%	26.66%	28.32%	27.16%	27.70%	26.34%	24.45%			
Loans where notice of default sent	170,738	172,852	189,787	184,969	159,362	170,951	132,696	128,112	143,997	141,560	-2.80%	-8.92%	30.26%
Loans where formal foreclosure procedings started	257,794	254,313	224,247	204,131	182,764	185,019	194,413	188,646	164,542	152,063	1.15%	13.41%	30.81%
Loans where foreclosure proceding completed (ORE)	72,607	76,800	97,620	116,958	120,280	125,763	135,580	130,358	134,386	114,201	1.62%	-21.33%	-43.35%
Sum of foreclosures completed (ORE) during quarter		*230,401*	*319,509*	*356,996*	*382,701*	*406,739*	*402,014*	*393,035*	*394,092*	*217,769*		-27.89%	-42.69%

STAFFING FOR LOSS MITIGATION	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Number of Full Time Equivalent employees assigned to Loss Mitigation	2,835	2,620	2,291	1,640						
Percent Change from Previous Month	1.87%	6.16%	12.69%	4.90%						
Number of Workouts in Process per Full Time Equivalent employee	139	143	213	137						

Reporting of these fields became possible with data collected in the new reporting format initiated in Quarter 1 of 2009.

Trend Data from Consolidated State Report for Mortgage Servicers

All numbers of loans are the actual number.
Quarterly values represent the average monthly value for all months of available data in that quarter except for data identified as the sum of foreclosures or modifications completed.
*** Indicates an incalculable value due to a divide-by-zero error.*

LOSS MITIGATION & MODIFICATIONS- IN PROCESS-TOTAL	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans In-Process													
Deed in lieu	3,095	3,363	7,910	8,809	7,657	7,465	6,634	4,753	2,919	4,329	-8.73%	-57.49%	-49.31%
Short sale	114,140	106,576	85,476	61,706	58,778	62,922	64,414	51,488	38,453	30,697	1.27%	24.69%	65.45%
Total in process with borrower losing home	117,235	109,939	93,386	70,515	66,435	70,387	71,048	56,241	41,373	35,027	0.98%	17.73%	54.74%
Percent of past due 60 days+	6.80%	6.49%	5.86%	4.50%	4.81%	5.49%	6.10%	5.18%	3.84%	3.51%			
Forbearance	33,937	32,453	31,271	27,301	24,440	26,963	21,119	18,298	19,489	20,301	8.27%	3.78%	53.67%
Repayment plan	103,149	111,568	96,584	59,641	33,833	37,860	37,494	37,230	49,333	57,957	-2.86%	15.51%	197.56%
Modification (principal reduction, interest rate &/or term of debt)	485,442	395,348	518,340	319,797	229,528	167,303	131,164	105,179	149,864	107,768	9.66%	-23.73%	201.42%
Total in process of home retention	622,528	539,369	646,194	406,739	287,802	232,126	189,777	160,707	218,686	186,027	7.29%	-16.53%	184.21%
Percent of past due 60 days+	36.09%	31.82%	40.53%	25.91%	20.60%	18.09%	16.25%	14.83%	20.31%	18.72%			
Refinance or paid in full	1,881	1,953	19,255	4,040	2,366	2,592	2,820	3,402	3,309	3,732	21.28%	-89.86%	-30.73%
Reinstatement/Account to be made current	20,203	16,787	12,722	8,142	7,381	8,101	7,707	9,308	11,953	10,906	13.35%	31.96%	117.81%
Total in process of being resolved by borrower	22,084	18,740	31,976	12,182	9,747	10,693	10,527	12,710	15,262	14,638	13.99%	-41.39%	78.02%
Percent of past due 60 days+	1.28%	1.11%	2.01%	0.78%	0.71%	0.83%	0.91%	1.17%	1.42%	1.49%			
Total loans in loss mitigation	761,847	668,048	771,556	489,436	363,983	313,206	271,352	229,658	275,321	235,691	6.45%	-13.42%	146.19%
Percent of past due 60 days+	44.17%	39.41%	48.39%	31.18%	26.11%	24.42%	23.25%	21.19%	25.56%	23.72%			

LOSS MITIGATION & MODIFICATIONS- CLOSED- TOTAL	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans Closed													
Deed in lieu	413	476	387	433	420	370	314	365	378	317	-13.96%	22.89%	51.59%
Short sale	14,977	13,470	10,906	8,617	10,077	11,023	8,850	6,535	4,612	3,625	10.38%	23.52%	52.21%
Total closed with borrower losing home	15,390	13,946	11,293	9,051	10,497	11,393	9,164	6,901	4,990	3,942	**	23.50%	52.19%
Percent of month's total closed	14.09%	12.97%	9.34%	6.10%	8.85%	10.11%	9.00%	6.96%	5.16%	4.83%			
Forbearance	10,264	13,158	7,671	4,230	4,598	3,956	3,565	2,790	3,735	3,412	-35.32%	71.53%	269.10%
Repayment plan	32,447	26,256	36,232	32,961	23,889	22,796	21,410	26,073	29,105	24,216	41.39%	-27.53%	22.64%
Modification (principal reduction, interest rate &/or term of debt)	34,104	39,773	49,156	75,498	54,563	49,489	46,370	39,777	27,096	20,432	-29.23%	-19.09%	-14.23%
Total closed solutions with home retention	76,815	79,188	93,058	112,690	83,051	76,241	71,345	68,640	59,936	48,060	-11.72%	-14.91%	10.99%
Percent of month's total closed	70.30%	73.36%	75.48%	75.86%	69.58%	67.67%	69.83%	69.09%	62.02%	58.82%			
Refinance or paid in full	3,551	3,889	3,690	5,085	4,546	5,155	5,200	6,604	9,021	11,102	2.04%	5.37%	-25.21%
Reinstatement/Account made current	13,507	10,806	14,981	21,877	21,160	19,872	16,385	17,204	22,635	18,626	25.96%	-27.87%	-34.05%
Total closed with resolution by borrower	17,058	14,695	18,671	26,962	25,706	25,027	21,585	23,808	31,657	29,728	20.10%	-21.30%	-31.92%
Percent of month's total closed	15.61%	13.67%	15.18%	18.05%	21.57%	22.21%	21.17%	23.96%	32.82%	36.34%			
Total loans closed	109,263	107,829	123,023	148,703	119,254	112,661	102,093	99,349	96,582	81,730	-5.20%	-12.35%	5.62%
Percentage of the previous month's in-process	15.27%	15.32%	20.02%	33.47%	36.67%	38.69%	40.98%	43.05%	36.32%	35.33%			
Prepayment penalty waived (from any of the above)	216	314	388	361	458	480	550	450	381	3,336	-19.10%	-19.16%	-42.97%
Percent of month's total closed	0.20%	0.29%	0.32%	0.24%	0.39%	0.43%	0.55%	0.45%	0.40%	4.10%			
Sum of loss mitigation and loan modifications closed in quarter		*323,487*	*406,007*	*417,709*	*327,184*	*306,280*	*302,200*	*295,840*	*273,912*	*166,155*		-20.32%	7.04%

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	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change	Quarterly Change	Yearly Change
LOSS MITIGATION & MODIFICATIONS- IN PROCESS- PRIME											Sept 2009 to Oct 2009	Q2 2009 to Q3 2009	Q3 2008 to Q3 2009
Number of Loans In-Process													
Deed in lieu	54	69	59	37							-30.77%	17.79%	
Short sale	2,961	2,979	2,968	1,550							1.37%	0.38%	
Total in process with borrower losing home	3,015	3,048	3,026	1,587							0.53%	0.72%	
Percent of past due 60 days+	0.45%	0.48%	0.53%	0.28%									
Forbearance	4,686	4,036	4,798	121							-10.30%	-15.88%	
Repayment plan	5,554	5,095	4,375	2,926							1.63%	16.45%	
Modification (principal reduction, interest rate &/or term of debt)	18,538	17,256	14,405	7,548	Reporting of these fields became possible with data available beginning in Quarter 1 of 2009						0.99%	19.79%	
Total in process of home retention	28,778	26,386	23,578	10,594							-0.92%	11.91%	
Percent of past due 60 days+	4.34%	4.15%	4.09%	1.89%									
Refinance or paid in full	129	67	1,026	466							158.00%	-93.44%	
Reinstatement/Account to be made current	2,761	2,607	2,168	2,091							4.50%	20.25%	
Total in process of being resolved by borrower	2,890	2,674	3,194	2,557							7.36%	-16.28%	
Percent of past due 60 days+	0.44%	0.42%	0.55%	0.46%									
Total loans in loss mitigation	34,683	32,108	29,798	14,737							-0.15%	7.75%	
Percent of past due 60 days+	5.23%	5.05%	5.17%	2.63%									

	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change	Quarterly Change	Yearly Change
LOSS MITIGATION & MODIFICATIONS- CLOSED- PRIME											Sept 2009 to Oct 2009	Q2 2009 to Q3 2009	Q3 2008 to Q3 2009
Number of Loans Closed													
Deed in lieu	49	62	22	15							-31.94%	186.15%	
Short sale	2,059	1,977	1,471	1,099							5.75%	34.39%	
Total closed with borrower losing home	2,108	2,039	1,493	1,114							4.41%	36.59%	
Percent of month's total closed	8.93%	11.97%	12.44%	9.73%								-3.79%	
Forbearance	3,330	2,047	763	211							-11.72%	168.40%	
Repayment plan	1,938	920	924	101							117.75%	-0.40%	
Modification (principal reduction, interest rate &/or term of debt)	8,758	6,659	3,742	3,172	Reporting of these fields became possible with data available beginning in Quarter 1 of 2009						-7.80%	77.98%	
Total closed solutions with home retention	14,026	9,626	5,428	3,484							-0.95%	77.35%	
Percent of month's total closed	59.44%	52.72%	42.99%	30.53%									
Refinance or paid in full	980	968	967	776							4.59%	0.17%	
Reinstatement/Account made current	6,481	5,128	4,480	6,001							14.22%	14.46%	
Total closed with resolution by borrower	7,461	6,097	5,447	6,776							12.86%	11.93%	
Percent of month's total closed	31.62%	35.31%	44.58%	59.74%									
Total loans closed	23,595	17,762	12,368	11,373							3.53%	43.62%	
Percentage of the previous month's in-process	67.93%	57.59%	55.61%	97.63%									
Prepayment penalty waived (from any of the above)	0	0	17	0							**	-100.00%	
Percent of month's total closed	0.00%	0.00%	0.11%	0.00%									
Sum of loss mitigation and loan modifications closed in quarter		*53,287*	*37,076*	*10,820*								43.72%	

Trend Data from Consolidated State Report for Mortgage Servicers

All numbers of loans are the actual number.
Quarterly values represent the average monthly value for all months of available data in that quarter except for data identified as the sum of foreclosures or modifications completed.
*** Indicates an incalculable value due to a divide-by-zero error.*

LOSS MITIGATION & MODIFICATIONS- IN PROCESS- SUBPRIME & ALT-A	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans In-Process													
Deed in lieu	1,157	1,141	1,455	928							3.67%	-21.60%	
Short sale	31,452	30,761	29,341	20,021							5.97%	4.84%	
Total in process with borrower losing home	32,609	31,901	30,796	20,949							5.89%	3.59%	
Percent of past due 60 days+	3.13%	3.06%	2.96%	2.01%									
Forbearance	8,355	6,775	2,290	3,287							22.94%	195.91%	
Repayment plan	73,648	82,969	70,016	43,140							-3.36%	18.50%	
Modification (principal reduction, interest rate &/or term of debt)	224,288	204,353	326,857	132,326							3.80%	-37.48%	
Total in process of home retention	306,291	294,097	399,163	178,752							2.41%	-26.32%	
Percent of past due 60 days+	28.85%	27.77%	39.21%	17.38%									
Refinance or paid in full	1,744	1,153	18,212	4,651							17.52%	-93.67%	
Reinstatement/Account to be made current	17,442	14,180	10,553	6,048							14.89%	34.37%	
Total in process of being resolved by borrower	19,186	15,333	28,765	10,698							15.13%	-46.70%	
Percent of past due 60 days+	1.81%	1.45%	2.83%	1.04%									
Total loans in loss mitigation	358,086	341,332	458,724	210,399							3.33%	-25.59%	
Percent of past due 60 days+	33.73%	32.23%	45.07%	20.46%									

Reporting of these fields became possible with data available beginning in Quarter 1 of 2009

LOSS MITIGATION & MODIFICATIONS- CLOSED- SUBPRIME & ALT-A	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change Sept 2009 to Oct 2009	Quarterly Change Q2 2009 to Q3 2009	Yearly Change Q3 2008 to Q3 2009
Number of Loans Closed													
Deed in lieu	174	199	170.6666667	164							7.41%	16.41%	
Short sale	7357	7384	6266	4268.5							2.32%	17.84%	
Total closed with borrower losing home	7,531	7,582	6,437	4,433							2.43%	17.80%	
Percent of month's total closed	10.52%	11.48%	9.60%	6.52%									
Forbearance	6,629	10,547	5,217	2,724							-43.80%	102.16%	
Repayment plan	27,628	22,576	23,597	15,529							42.86%	-4.33%	
Modification (principal reduction, interest rate &/or term of debt)	21,444	17,963	23,943	30,363							10.64%	-24.97%	
Total closed solutions with home retention	55,701	51,087	52,757	48,616							10.26%	-3.17%	
Percent of month's total closed	77.77%	77.35%	78.49%	71.66%									
Refinance or paid in full	1,837	2,137	2,087	4,056							-3.97%	2.40%	
Reinstatement/Account made current	6,550	5,244	5,938	10,603							40.53%	-11.69%	
Total closed with resolution by borrower	8,387	7,381	8,025	14,658							27.58%	-8.02%	
Percent of month's total closed	11.71%	11.18%	11.91%	21.82%									
Total loans closed	71,619	66,051	67,219	67,706							11.14%	-1.74%	
Percentage of the previous quarter's in-process	20.67%	16.89%	21.46%	41.08%									
Prepayment penalty waived (from any of the above)	165	263	337	272.5							-23.61%	-22.06%	
Percent of month's total closed	0.23%	0.40%	0.50%	0.40%									
Sum of loss mitigation and loan modifications closed in quarter		*198,152*	*203,400*	*65,467*								-2.58%	

Reporting of these fields became possible with data available beginning in Quarter 1 of 2009

Trend Data from Consolidated State Report for Mortgage Servicers

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PERFORMANCE OF MODIFIED LOANS

	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change	Quarterly Change	Yearly Change
											Sept 2009 to Oct 2009	Q2 2009 to Q3 2009	Q3 2008 to Q3 2009
Performance of All Modified Loans													
Number modified 3 months ago	25,028	30,263	39,805	39,739							-0.04%	-23.97%	
Number 60+ days delinquent modified 3 months ago	2,884	2,619	2,929	3,315							45.58%	-10.57%	
Percent 60+ days delinquent	11.52%	8.53%	7.29%	8.38%								16.90%	
Number modified 6 months ago	40,808	41,261	38,505	24,498							-0.24%	7.16%	
Number 60+ days delinquent modified 6 months ago	9,764	9,266	10,858	7,306							14.68%	-14.67%	
Percent 60+ days delinquent	23.93%	22.42%	28.02%	29.90%								-19.98%	
Number modified 1 year ago	28,228	25,799	21,875	13,778							0.01%	17.94%	
Number 60+ days delinquent modified 1 year ago	12,087	10,863	8,568	5,029							1.31%	26.79%	
Percent 60+ days delinquent	42.82%	42.11%	39.19%	36.51%									

Reporting of these fields became possible with data available beginning in Quarter 1 of 2009

	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change	Quarterly Change	Yearly Change
											Sept 2009 to Oct 2009	Q2 2009 to Q3 2009	Q3 2008 to Q3 2009
Performance of Modified Loans with Significant Monthly Payment Reductions													
Number modified 3 months ago	15,882	17,584	26,273	25,741							-0.03%	-33.07%	
Percent of all modifications 3 months ago	63.46%	58.79%	66.14%	65.05%									
Number 60+ days delinquent modified 3 months ago	1,078	816	1,060	1,242							53.78%	-23.07%	
Percent 60+ days delinquent	6.79%	4.62%	4.05%	4.71%									
Number modified 6 months ago	26,202	26,310	26,602	14,837							-0.21%	-1.10%	
Percent of all modifications 6 months ago	64.21%	63.95%	69.58%	60.29%									
Number 60+ days delinquent modified 6 months ago	5,046	4,129	5,469	3,195							14.97%	-24.51%	
Percent 60+ days delinquent	19.26%	15.69%	20.76%	21.75%									
Number modified 1 year ago	15,123	13,780	11,453	5,024							-0.22%	20.32%	
Percent of all modificaitons 1 year ago	53.57%	53.39%	52.36%	36.05%									
Number 60+ days delinquent modified 1 year ago	6,343	5,486	4,072	1,735							2.19%	34.74%	
Percent 60+ days delinquent	41.94%	39.77%	35.56%	34.87%									

Reporting of these fields became possible with data available beginning in Quarter 1 of 2009

	Oct 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	October 08	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Monthly Change	Quarterly Change	Yearly Change
											Sept 2009 to Oct 2009	Q2 2009 to Q3 2009	Q3 2008 to Q3 2009
Performance of Modified Loans with Significant Principal Balance Reductions													
Number modified 3 months ago	988	1,172	2,213	2,571							0.00%	-47.03%	
Percent of all modifications 3 months ago	3.95%	3.95%	5.51%	6.50%									
Number 60+ days delinquent modified 3 months ago	44	26	61	95							120.00%	-56.83%	
Percent 60+ days delinquent	4.45%	2.23%	2.86%	3.84%									
Number modified 6 months ago	1,457	2,065	2,268	1,678							-0.21%	-8.96%	
Percent of all modifications 6 months ago	3.57%	4.98%	5.92%	6.88%									
Number 60+ days delinquent modified 6 months ago	304	326	422	478							16.48%	-22.69%	
Percent 60+ days delinquent	20.86%	16.11%	18.81%	28.69%									
Number modified 1 year ago	1,520	1,881	1,905	800							-0.07%	-1.29%	
Percent of all modifications 1 year ago	5.38%	7.36%	8.66%	5.67%									
Number 60+ days delinquent modified 1 year ago	623	661	591	263							-1.42%	11.90%	
Percent 60+ days delinquent	40.99%	35.80%	31.31%	33.05%									

Reporting of these fields became possible with data available beginning in Quarter 1 of 2009